

## Message Text

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ACTION EB-07

INFO OCT-01 AF-06 NEA-10 ISO-00 COME-00 /024 W

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R 270845Z JAN 76

FM AMEMBASSY DAR ES SALAAM

TO SECSTATE WASHDC 0568

INFO AMEMBASSY NAIROBI

AMEMBASSY NEW DELHI

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E.O.11652: N/A

TAGS: EINV, BDIS, EMAE, TZ

SUBJECT: US FIRM DISPUTES TANGOV HANDLING OF TENDER AWARD

REF: ROME 874 (NOTAL)

1. ON JAN 22 MR. RICHARD THOW OF ANDERSON IBEC AND MR. HERBERT HENRICH, IBEC'S REP IN NAIROBI, CALLED ON ECON/COMM OFF TO REQUEST EMBASSY ASSISTANCE IN REVERSING TANGOV DECISION TO RENEGE ON TENDER AWARD (REFTEL). DEPT MAY AT ITS DISCRETION DRAW ON FOLLOWING DETAILED BACKGROUND AND ACTIONS IN RESPONDING TO POSSIBLE COMPANY OR CONGRESSIONAL INQUIRIES.

2. BACKGROUND ACCORDING THOW/HENRICH FOLLOWS:

A) AFTER MONTHS TECHNICAL DISCUSSION, ANDERSON IBEC ON DEC 2 WAS AWARDED INTERNATIONAL TENDER FOR CONSTRUCTION \$2.2 MILLION VEGETABLE OIL MILL AND REFINERY BY TANGOV-OWNED FIRM, MOPROCO. AWARD WAS APPROVED BY TANZANIA INVESTMENT BANK (TIB).

B) ON DEC 26, GENMAN OF MOPROCO SENT COMPANY SIGNED LETTER OF INTENT CONFIRMING TENDER AWARD, SUBJECT TO FINAL CLEARANCES BY EXTERNAL FINANCER, KFW OF FRANKFURT, GERMANY.

C) ON BASIS ABOVE, IBEC LET SUB-CONTRACTS FOR MANUFACTURE SOEM OF EQUIPMENT, AND WITH ITS PARTNERS INCURRED OTHER EXPENSES.

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D) ON JAN 17 TANGOV MINISTERIAL GROUP MET AND DECIDED AWARD CONTRAC

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INSTEAD TO DESMET (INDIA) PVT. LTC. (REPORTEDLY, DESMET HAD BID ON PROJECT AND MAY HAVE BEEN LOWEST BIDDER BUT WAS REJECTED BY MOPROCO, TIB AND KFW ON TECHNICAL GROUNDS.) THOW/HENRICH ALLEGED THAT REVERSAL WAS POLITICALLY INSPIRED AND RELATED TO NYERERE TRIP TO INDIA.

E) ANDERSON IBEC LEARNED OF ABOVE UNOFFICIALLY AND SENT REPS TO DAR. AGENT IN NAIROBI, CHEFIMA, WAS OFFICIALLY INFORMED WITHDRAWAL LETTER OF INTENT BY TELEPHONE ON JAN 22.

F) REPORTEDLY, KFW NOW REFUSING FINANCE INDIAN MACHINERY AND TANGOV LOOKING TO SWEDEN TO PROVIDE LOAN FOR PROJECT.

3. ECONOFF INQUIRED INTO MATTER ON JAN 21 AND WAS TOLD BY TANGOV OFFICIALS THAT RECENT HIGH LEVEL DECISION GIVE AWARD TO INDIAN FIRM WAS BASED ON COST FACTORS AND INDIAN GOVT GUARANTEE.

4. THOW/HENRICH CLAIM THAT DESMET EQUIPMENT DEMONSTRABLY INFERIOR AND THAT TANGOV WOULD END UP WITH INEFFICIENT PLANT AS WELL AS TARNISHED INTERNATIONAL IMAGE. IN ANY EVENT, THEY SAY TANZANIA MUST HONOR LETTER OF INTENT AND REQUESTED USG/EMBASSY POLITICAL INITIATIVE TO REVERSE RECENT TANGOV DECISION.

5. ECONOFF EXPRESSED UNDERSTANDING OF IBEC POSITION AND OFFERED ASSIST AS MUCH AS WE COULD. HE EXPLAINED TO THOW/HENRICH THAT TANGOV WOULD PROBABLY CLAIM THAT DECISION BASED ON LOWER COST FOR INDIAN EQUIPMENT, THAT LETTER OF INTENT NOT SAME AS CONTRACT, AND THAT TANGOV FREE TO CHANGE MIND. ECONOFF ALSO DESCRIBED POLITICAL AND ECONOMIC ENVIRONMENT INCLUDING NYERERE VISIT TO INDIA.

6. ECONOFF SUGGESTED AS NEXT BEST STEP THAT THEY DISCUSS ISSUE AT PRINCIPAL SECRETARY/MINISTER LEVEL AND OFFERED ARRANGE SUCH A MEETING. ECONOFF MADE APPOINTMENT FOR THEM FOR MORNING JAN 23 WITH MINISTER OF INDUSTRIES, MSUYA.

7. MSUYA TOLD THEM HE HAD NOT BEEN DIRECTLY INVOLVED IN PROJECT AND ARRANGED FOR THEM TO SEE PRINSEC OF AGRICULTURE, MUSHI, WHO ALSO BROUGHT IN CHAIRMAN OF BOARD OF MOPROCO, AND OTHER OFFICIALS.  
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IBEC REPS SAID THEY DISCOVERED THAT THEIR PORPOSAL HAD BEEN "MISREPRESENTED" AT JAN 17 MINISTERIAL MEETING AS COSTING TSHS 22 MILLION WHEN IN FACT BID WAS FOR TSHS 18 MILLION (\$2.2 MILLION). MUSHI DECIDED CALL FULL TECHNICAL REVIEW MEETING FOR MORNING JAN 24 TO COMPARE IBEC AND INDIAN FIRM PROPOSALS IN DETAIL.

8. MEETING WAS ATTENDED BY MOPROCO ADVISORY COUNCIL, THOW/HENRICH, AND DESMET AGENTS. (THOW SAID OFFICIAL FROM INDIAN HIGH COMMISSION

ALSO ATTENDED.) OUTCOME OF REVIEW WAS THAT DESMET OFFER WAS IN FACT CHEAPER. ANDERSON IBEC OFFERED RESTRUCTURE ITS PACKAGE TO SHAVE COSTS AND PROMISED SUBMIT REVISED PROPOSAL THIS WEEK. IF PROPOSAL ACCEPTED BY ADVISORY COUNCIL, WHOLE MATTER THEN EXPECTED TO BE REFERRED AGAIN TO MINISTERIAL GROUP FOR FINAL DECISION.

9. THOW/HENRICH EXPRESSED APPRECIATION AND SATISFACTION WITH EMBASSY ASSISTANCE TO DATE. WE WILL BE MEETING AGAIN WITH HENRICH LATER THIS WEEK TO REVIEW DEVELOPMENTS AND TO SEE WHAT ELSE THE EMBASSY MIGHT DO.

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